

Investment report

Market overview

As at 19 August 2025

Share markets advanced in July as greater clarity around the tariff policy in the United States (US), and the passing of an expansionary fiscal bill through the US Congress supported risk sentiment and the growth outlook.

Tariff update

The month began with US President Trump extending the deadline for the ninety day pause in April's "Liberation Day" tariffs from early July to early August, giving many of the US' trading partners additional breathing space to negotiate deals before tariffs rose sharply.

The US also reached deals on tariffs with a number of major trading partners, including Japan, Vietnam, the Philippines and the European Union, during the month. The baseline tariff rates in these deals fell in the range of 15-20% on goods imports into the US which—while mostly lower than the rates announced on "Liberation Day"—still represent a significant increase over prior levels. Nonetheless, share markets appeared to benefit from the decline in uncertainty surrounding US tariff policy, with some of the downside risks of tariffs being curtailed, at least for the time being.

The "One Big Beautiful Bill Act" was passed

Providing further support was the passing of the "One Big Beautiful Bill Act" ("OBBA Act") in the US in early July. The Act extends President Trump's 2017 tax cuts and introduces a number of further tax cuts and deductions, alongside some areas of expenditure cuts. On the whole, the bill is an expansionary fiscal package, but it also front-loads more of the tax cuts while back-loading many of the offsetting spending cuts. As a result, the package is stimulatory to the economy in the next few years, particularly in 2026, which provides a tangible near-term support to the growth and earnings outlook underpinning US shares.

On the other hand, it also means that the negative budget impact from the bill is also front-loaded. While greater tax receipts from tariff increases will help offset this to some degree, the OBBA Act is still likely to add further pressure to US budget deficits in coming years. This coincides with expansionary fiscal stances in a number of other advanced economies (such as Germany and Japan), which are also providing some support to the growth outlook, and as a result could put some upward pressure on the outlook for central bank interest rates. At the same time, the resulting budget pressures could mean that investors in government bonds may expect a higher return (in the form of higher bond yields) to compensate for greater fiscal risk. Unsurprisingly, yields on government bonds rose across major markets in July, likely reflecting some of these factors, meaning that the prices of government bonds fell (bond prices move inversely to bond yields).

Here in Australia...

The Reserve Bank of Australia (RBA) surprised markets in July by keeping the cash rate unchanged at 3.85%, following a 0.25 percentage point (ppt) rate cut at the preceding meeting in May. Markets had priced in close to a 100% probability that the RBA would cut rates again in July, given the economy's sluggish start to the year and with monthly inflation data from the Australian Bureau of Statistics (ABS) suggesting that disinflation had continued in the June quarter.

However, given that the ABS' monthly data provides only an incomplete snapshot of CPI inflation, and that the labour market had remained solid, the RBA opted to wait until the next meeting in August before easing

rates further, giving time for the full quarterly CPI inflation data to be released. With this quarterly data subsequently confirming the disinflationary trend upon its release in late July, the RBA did elect to resume easing policy with a 0.25 ppt cut at the August meeting.

Outlook

If inflation remains contained, a modest amount of further monetary easing is expected in Australia over the next year and likewise in the US and UK. However, the outlook for interest rates, and financial markets more broadly, are still susceptible to any unexpected global growth and inflation developments, and with the impact of major tariff and fiscal changes still unfolding, the global economy is not yet out of the woods.

Investment performance

Accumulation investment options as at 31 July 2025

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
1 month	1.79%	1.57%	1.30%	0.96%	0.50%	0.30%	2.49%	0.26%	2.23%	1.60%	-0.23%
FYTD	1.79%	1.57%	1.30%	0.96%	0.50%	0.30%	2.49%	0.26%	2.23%	1.60%	-0.23%
1 year	11.29%	10.60%	9.67%	7.92%	5.92%	4.12%	10.34%	4.98%	16.33%	10.80%	2.56%
3 years p.a.	11.04%	9.77%	8.64%	6.82%	4.92%	3.75%	11.38%	3.44%	16.67%	10.40%	-0.74%

The crediting rate is based on investment returns minus investment fees and costs, transaction costs and investment-related taxes. Excludes fees and costs that are deducted directly from members' accounts. Past performance is not a reliable indicator of future performance.